

## **Arkansas Purchasing Card Program Compliance Review Policy**

As a part of the Arkansas Purchasing Card Program, The Arkansas Department of Finance and Administration (DFA), Office of State Procurement (OSP) has established a Purchasing Card Compliance Review Program. The purpose of this program is to ensure that the Arkansas Purchasing Card Program remains in good standing with US Bank and that the purchasing and accounting laws, policies and procedures of the state of Arkansas are followed. It is a risk-management approach by which representatives from the using agency, Office of State Procurement or DFA will conduct both scheduled and unscheduled reviews of activities of the purchasing card program and purchasing transactions, complete a standard questionnaire (*Arkansas Purchasing Card Program Compliance and Internal Control Review*), and report the findings to the Director State Procurement for further action. All purchasing card transactions must be made in compliance with the policy statement.

Arkansas state agencies and participating agencies are required to have a program to review and audit the purchasing card program. The Arkansas Purchasing Card Program is subject to various state review and auditing programs. The purpose of this policy is to establish a standard disciplinary policy for all participants in the Arkansas Purchasing Card Program.

### **BENEFITS OF PURCHASING CARD PROGRAM:**

The Arkansas Purchasing Card Program has several benefits in the program. The following is a list of some of the benefits for the cardholders, state and the merchants.

#### **For Cardholder**

- ☐ Purchase convenience
- ☐ Empowered to make purchases without having to go through the purchase order process or having check issued
- ☐ Expedites delivery of goods and services
- ☐ Used when merchant will not accept a purchase order

#### **For State**

- ☐ Payment to vendor is more expedient
- ☐ Used when merchant will not accept a purchase order
- ☐ Reduces the use of Petty Cash
- ☐ Enhances accountability
- ☐ Provides information to management
- ☐ Delegates purchasing authority, responsibility and accountability of staff at the point-of-demand
- ☐ Reduces administrative cost associated with processing purchase orders, suppliers invoice and check
- ☐ Software-based management reporting
- ☐ Ability to set and control purchasing dollar limits and type of purchases

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## **For Merchant**

- ❑ Prompt pay from bank improves cash flow
- ❑ Reduces paperwork
- ❑ Promotes state and local business relationship
- ❑ Practically eliminates risk of nonpayment

## **CONTROLS IN THE PURCHASING CARD PROGRAM:**

The purchasing card has several controls:

- Monthly spending limits
- Merchant Category Codes (MCC) restrictions
- Agency Liaison maintains a transaction log and reviews against bank statement
- Reviewer to check on the transaction log and activities for the month
- Program policies and procedures

## **RESPONSIBILITIES:**

The issuance of the P-Card to the end-user (Cardholder) delegates authority for transactions less than \$2,000 per month and within the MCC approval for the card. Any purchases above this limit must be pre-approved by the Purchasing Card Administrator. With this delegation of procurement authority, there are certain responsibilities. Of paramount importance is (1) ensuring the card is properly secured at all times, (2) that steps are taken to prevent fraudulent use or misuse of the card, (3) that the purchase of goods, supplies, and accounting codes are appropriate, and (4) routine review of all procurement card activities. Regular review of the procedures and cardholder use are the most reliable means to ensure the card is used appropriately.

### **Cardholder Is Responsible For:**

- Signing Purchasing Card Cardholder Agreement
- Attending Arkansas Purchasing Card Program Training sessions
- Activating the card when it arrives from US Bank or Purchasing Card Administrator
- Making sure the card is secured at all time and reporting lost or stolen card immediately to US Bank, using agency, and/or P-Card Administrator
- Purchasing goods and supplies in accordance with the Arkansas Purchasing Card Program's policies and procedures.
- Maintaining all documentations for Transaction Log
- Reviewing transactions on bank monthly statement
- Resolving or assisting in resolution of problems
- Returning the card to the agency upon transfer or termination/separation from the agency
- Asking questions and providing feedback on the program (Remember it is the responsibility of the cardholder to know and understand the program)

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- Complying with all audit or review request for documentation in a timely manner

### **Reviewing Official Is Responsible For:**

- Signing Purchasing Card Program Agreement
- Attending training sessions
- Knowing all of the cardholder's responsibilities
- Monitoring the cardholder activities (eligibility and authorized limits)
- Making sure cardholder is in compliance with the authorized uses of the card
- Reviewing all purchases at least bi-weekly
- Maintaining or assisting in maintaining all documentation on all purchases and Transaction Log
- Making sure all accounting codes are appropriate
- Assisting in resolving any disputes on the card/purchases/statement
- Reconciling all accounts under Reviewers responsibility on a monthly basis
- Communicating all questionable activity to department head and Purchasing Card Administrator
- Complying with all audit or review request for documentation in a timely manner

### **Purchasing Card Administrator/Coordinator Is Responsible For:**

- Develop policy and procedures for the State of Arkansas Purchasing Card Program
- Responsible for ensuring that state agencies adhere to the Arkansas Purchasing Card Program and state procurement policies
- Work with US Bank on policies and operation of the card program
- Provide training for cardholders and reviewing officials
- Approving cardholder's applications and agreements and distribute the individual purchasing cards
- Monitor and enforce the Arkansas Purchasing Card Program policies and procedures
- Approving changes in cardholder's privileges (increases in monthly spending limits and MCC assigned to cardholder's account)
- Conduct periodic reviews of agency programs

### **OFFICIAL BUSINESS USE ONLY:**

The Arkansas Purchasing Card is for "For Official Use Only". Expenditures must be prudent and directly benefit the State of Arkansas. Purchases of items for personal gain or personal use and/or the purchase of items expressly prohibited by the state are not allowed. A personal purchase is anything that is purchased for use and ownership by a person or entity other than the State of Arkansas. It is a cardholder violation to make any personal purchases or transactions with the purchasing card. Even though the cardholder may pay the state back or intends to pay the state back the amount of the

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purchase, it may be considered a fraudulent act. Any violation of Arkansas Purchasing Card Program policies or other policies of the State of Arkansas governing purchasing and funds will be investigated and could result in cancellation of card privileges, termination and/or criminal prosecution.

### **STATE PROPERTY:**

Although US Bank owns the “Arkansas Purchasing Card” (the Card), The State of Arkansas is the proprietor of the “Arkansas Purchasing Card Program”. The Office of State Procurement has exclusive jurisdiction over the Arkansas Purchasing Card Program. It is the state agency’s responsibility to make payment and operate the program within the established guidelines. The State establishes and maintains the liability of the purchasing card program. The State of Arkansas through the Arkansas Department of Finance and Administration, Office of State Procurement contracted with US Bank to provide the card as a vehicle whereby state agencies, boards and commissions, and institutions of higher education may procure goods and supplies. The Arkansas Purchasing Card is issued in the employee’s name as well as the agency’s name. The card is issued to individuals only by virtue of the fact that they are employees or delegates of a state agency and meet certain requirements. The Arkansas Purchasing Card is to be used only for official use. This is a VISA Card and may be used with any merchant that accepts a VISA credit/charge card. The card must be used in accordance with rules and regulation established for the program. All cardholders (employees) shall exercise reasonable and responsible care in using the purchasing card.

### **ARKANSAS STATE AGENCIES AND HIGHER EDUCATION CONDUCT STANDARDS AND DISCIPLINARY PROCEDURES:**

This policy and procedures does not replace or amend any agencies’ conduct standards and disciplinary procedures or progressive disciplinary procedures. Findings or any action as the results of this program will be reported to the executive head of agencies, departments and institutions. The agency may take additional disciplinary actions in accordance of the agency’s conduct standards and disciplinary procedures.

### **RISK-MANAGEMENT:**

In an effort to protect the State from risks associated with a purchasing card program, the Office of State Procurement instituted the following safeguard:

- ❖ A mandatory training program, prior to receipt of a procurement card, must be attended to educate each cardholder of the Arkansas Purchasing Card Program Policies & Procedures and the Arkansas State Procurement Law and Regulations.
- ❖ Copies of these can be found on the Office of State Procurement web site
- ❖ The Purchasing Card Administrator and authorized persons from state agencies regularly review spending activities through a variety of reports available from US Bank; and

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- ❖ Notification is provided to cardholders and their respective supervisors when a potential violation is detected.

The Arkansas Purchasing Card Program is subject to audits and reviews by The Arkansas Legislative Audit Review, department or institution internal audit, and by Department of Finance and Administration, Office of State Procurement. Audits or reviews may be conducted by other authorized entities. In addition, transaction histories can be view at any time by anyone under Freedom of Information: the records are public.

Cardholder records are subject to periodic unannounced reviews by the using department, Arkansas Purchasing Card Program Administrator and others on a need-to-know basis. The cardholder's Transaction Logs must be available for review at all times. Should a cardholder or reviewing official deny access to procurement log, or if records are not found, or not complying with the program requirements, the reviewer will immediately notify the Purchasing Card Administrator who may suspend or cancel buying privileges with the P-Card. All cardholders classified as "non-compliant" will be subject to disciplinary action and/or attend additional training. Problems or concerns noted by the reviewer will be shared with the cardholder. The cardholder's supervisor will be copied on all correspondence. A list of all cardholders whose records are found not to be in compliance will be submitted to the Purchasing Card Administrator on a monthly basis.

### **SOME POSSIBLE INDICATORS TO DETECT FRAUD:**

The presence of one or more of the following indicators of fraud does not mean that fraud is occurring. They may be the result of other factors. Therefore, these indicators should be viewed from a wider context. Also, remember that the misuse of a purchasing card is not always fraud.

The terms "fraud" and "misuse" or "abuse" are often used interchangeably in describing unauthorized purchasing card activity. These terms actually are more limited, and a distinction should be made between them.

- Fraud involves unauthorized use of the card by someone other than the individual to whom it was issued. This may include stolen cards, counterfeit cards, or identity theft. Purchasing card fraud could be committed either by individuals outside of the state agency or by an employee of the state. It may also involve non-employees or former employees working in collusion with those on the inside of the state agency. Fraud is be defined as any practice that involves deceit or other dishonest means by which a benefit is obtained from the state.
- Merchant fraud is another example of unauthorized activities, and involves charges for goods or services not provided but charged by a merchant to a purchasing card.

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- Misuse or abuse involves unauthorized activity or purchasing by the employee to whom the card is issued. Misuse covers a wide range of violations, some which are more severe than others. Some of these misuses may be split purchases, buying larger quantity than required by the agency, buying a quality that the agency deems inappropriate, buying from an unauthorized supplier, and buying unauthorized goods and services. Using the P-Card for personal gain represents a serious abuse of the card.
- Indicators may be insufficient detail noted on the P-Card purchase cash receipt, invoice, or transaction log, lost card receipts or unavailable official records, lost P-Card, unauthorized charges, refuse, evade or delay in producing files or records, unusual activities, multiple transactions, or purchases in even dollar amounts.

### **CONSEQUENCES OF PROCUREMENT CARD MISUSE:**

Cardholders that do not comply with the policies of the State on purchasing or spending with the purchasing card may be subject to disciplinary action. The Purchasing Card Administrator, Director of State Procurement, and senior management from the cardholder department, will determine any disciplinary action taken. The type of disciplinary action(s) taken against a cardholder includes, but is not limited to the following:

1. Written warning
2. Suspending the usage of the P-Card
3. Revocation of the P-Card
4. Employment suspension / termination from state employment
5. Criminal charges filed with state and local authorities

A cardholder who accumulates a total of three (3) points shall have the P-Card revoked. The points may not all be in one category. There may be a case where one occurrence may have multiple disciplinary actions. The Director of State Procurement may decide that it is in the state best interest to revoke a P-Card. with only one occurrence.

Any misuse or inappropriate action is to be reviewed and judged on its own merit. Misuse or inappropriate action will be reviewed case by case and action taken.

In addition to disciplinary or administrative actions listed in this policy, agencies may be requested to use the agency's discipline policies and procedures to complete additional disciplinary action for cardholder (employee).

### **INAPPROPRIATE ACTIVITIES AND CONSEQUENCES:**

The following are potential areas of risk, and therefore, reviewers will be specifically looking for the activities listed during the course of their reviews. When these instances are identified, the reviewer will notify the Purchasing Card Administrator who will take the appropriate action(s). This list must not be interpreted as all-inclusive.

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### **Failure to Maintain Transaction Logs of Purchases or Failure to Have Transaction Log Reviewed by Reviewer**

Each cardholder and/or reviewing official shall maintain a "Transaction Log" for recording each purchase or credit made with the P- card. (The log maybe maintained with the reviewing official location.) The "Transaction Log" is an official document of the State of Arkansas. Acceptable documentation for each purchase or credit shall be kept in the "Transaction Log". Acceptable documentation includes the itemized sales slip, cash register receipt or repair order and proof of delivery or receipt. All documentation shall be signed or initialed by the cardholder. When the monthly statement is received from US Bank, the cardholder must match it with the "Transaction Log" and documentation for **each purchase** and have the reviewer review the "Transaction Log" and enclosed information. Both the cardholder and reviewer must sign and date the Transaction Log. Should review or audit of the cardholder records show failure to maintain a "Transaction Log" or submit the log for review, or contain misinformation or omission of information, the following action will be taken:

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| 1 <sup>st</sup> Occurrence | written warning to cardholder and a copy placed in personnel file ***                |
| 2 <sup>nd</sup> Occurrence | P-Card privileges suspended for 90 days and information placed in personnel file *** |
| 3 <sup>rd</sup> Occurrence | P-Card privileges revoked and information placed in personnel file ***               |

\*\*\* Submitting the transaction log, acceptable documents, and bank statements with or without cardholder and reviewing official signatures and/or containing known errors, omissions or misinformation may be considered falsification of records. Should it be determined that such action was made, the P-Card will immediately be canceled and appropriate action taken against the cardholder. Each action will be review case by case and action taken.

### **Splitting Transactions to Circumvent the Procurement Policies and Procedures and /or Arkansas Purchasing Card Program Policies and Procedures:**

If a cardholder purchases goods or services exceeding the single transaction limit, monthly limits, authorizes the vendor to split the transaction in order to allow the procurement card purchase to be completed, or split the transaction between more than one card the following action will be taken:

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| 1 <sup>st</sup> Occurrence | written warning to cardholder and a copy placed in personnel file *** |
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2 <sup>nd</sup> Occurrence	P-Card privileges suspended for 90 days and information placed in personnel file ***
3 <sup>rd</sup> Occurrence	P-Card privileges revoked and information placed in personnel file

\*\*\* If the purchase is split for the purposes of violating the State Procurement Law, the Procurement Card will be revoked.

### **Purchasing Non-Allowable Goods or Services:**

The purchasing cardholder must be aware of the most recent purchasing laws and procedures. Each cardholder should review or print a copy of the Arkansas Purchasing Card Program Policies, Procedures, and a copy of the Arkansas State Procurement Laws and Rules & Regulations from the Office of State Procurement web site. It is recommended that this be performed at least once a year. In addition, purchases restricted or prohibited will be reviewed during the mandatory training for all new cardholders. The updated list is on the Office of State Procurement Purchasing Card web site. It is recommended that this be reviewed ever six month or when the cardholder is in doubt as to what is prohibited. If deemed warranted, cardholder will be required to make restitution the State. Should a cardholder make a non-allowable purchase or attempt to purchase, the following action will be taken:

1 <sup>st</sup> Occurrence	Written warning to cardholder and a copy placed in personnel file
2 <sup>nd</sup> Occurrence	P-Card privileges suspended for 90 days and information placed in personnel file
3 <sup>rd</sup> Occurrence	P-Card privileges revoked and information placed in personnel file

### **Failure to secure the P-Card and/or Transaction Log or Loaning the Card or Card Number to Others for Transaction Purposes:**

The purchasing card, card account number, and transaction log should be kept secure at all times. Loaning the P-Card or card number to another person is prohibited. Failure to secure/protect the card may result in loss of funds for the state and the cardholder may be required to reimburse the state for the lost funds. Failure to properly secure the card or card number may result in the following:

1 <sup>st</sup> Occurrence	Written warning to cardholder and a copy placed in personnel file
2 <sup>nd</sup> Occurrence	P-Card privileges suspended for 90 days and information placed in personnel file
3 <sup>rd</sup> Occurrence	P-Card privileges revoked and information placed in personnel file

### **Lost or Stolen Cards or Unauthorized Use of P-Card:**



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Cardholder must immediately report lost, or stolen cards, or unauthorized use of the P-Card account number to US Bank, the cardholder's reviewing official and/or the Purchasing Card Administrator. Failure to report lost/stolen cards or account number may result in loss of funds for the state and the cardholder may be required to reimburse the state for the lost funds. If the cardholder does not report lost or stolen cards or account number, the P-Card privileges may be revoked.

1 <sup>st</sup> Occurrence	written warning to cardholder and a copy placed in personnel file ***
2 <sup>nd</sup> Occurrence	P-Card privileges suspended for 90 days and information placed in personnel file ***
3 <sup>rd</sup> Occurrence	P-Card privileges revoked and information placed in personnel file ***

\*\*\* Lost or stolen card or unauthorized use of the P-Card number may be interpreted as mishandling or misappropriated funds or assets. It may also be consider unauthorized use or possession, abuse, or misuse if the cardholder (employee) does not have the proper approval. If it is determined that such action occurred, the P-Card must be immediately canceled and appropriate action taken against the cardholder. Each offense will be reviewed case by case and action taken.

### **Improper Coding of Transactions:**

Each purchasing transaction must be assigned to appropriate accounting codes to correctly account for the expenditure (transactions) and charge it to the correct agency or program(s). Reallocation officials (cardholder, reviewing official and others in position of knowledge of the purchasing transactions and accounting information) may be required to reallocate charges made to the purchasing card to the appropriate codes if different from the default coding. The Office of Accounting, Department of Finance and Administration is the sole authority of the accounting codes for the State of Arkansas. For this policy, the reallocation official performs the function of reallocating accounting codes for a transaction(s). Any violation of this section will be investigated and the Purchasing Card Administrator will notify the agencies fiscal officer of the problem and solicit assistance in dealing with the problem. The Administrator of the Office of Accounting will be notified. If this is not completed properly, the following action will be taken:

1 <sup>st</sup> Occurrence	written warning to the reallocation official and a copy placed in personnel file ***
2 <sup>nd</sup> Occurrence	P-Card program privileges suspended for 90 days and information placed in personnel file ***
3 <sup>rd</sup> Occurrence	P-Card Program privileges revoked and information placed in personnel file ***

\*\*\* Failing to assign the appropriate accounting codes may be interpreted as mishandling or misappropriated funds or assets. If it is determined

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that such action has occurred, the appropriate action will be taken.  
Each action will be reviewed case by case and action taken.

### **Failing to Reconcile Bank Statements:**

Cardholder must reconcile the bank statement each month with the Transaction Log and supporting documents and forward to the reviewing official. If this is not completed properly the following action will be taken:

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| 1 <sup>st</sup> Occurrence | written warning to cardholder and a copy placed in personnel file ***                |
| 2 <sup>nd</sup> Occurrence | P-Card privileges suspended for 90 days and information placed in personnel file *** |
| 3 <sup>rd</sup> Occurrence | P-Card privileges revoked and information placed in personnel file ***               |

\*\*\* Submitting statements with or without cardholder signature containing known error, misinformation or omission of information may be considered falsification of records. Submitting statement without transaction log is prohibited. Should it be determined that such action was made, the P-Card will be immediately canceled and appropriate action taken against the cardholder. Each action will be reviewed case by case and action taken.

### **Failing to File a Dispute with the Bank:**

Failing to file a dispute regarding defective merchandise or an inaccurate bank statement (not reconciled through vendor) with 60 days of receipt of the statement, will result in the following action”

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|----------------------------|--|
| 1 <sup>st</sup> Occurrence | written warning to cardholder and a copy placed in personnel file ***                |
| 2 <sup>nd</sup> Occurrence | P-Card privileges suspended for 90 days and information placed in personnel file *** |
| 3 <sup>rd</sup> Occurrence | P-Card privileges revoked and information placed in personnel file ***               |

\*\*\* Failing to file a dispute regarding a purchase or bank statement that is inappropriate within the required time may be interpreted as mishandling or misappropriated funds or assets. If it is determined that such action occurred, the P-Card will be immediately canceled and appropriate action taken against the cardholder. Each action will be reviewed case by case and action taken.

### **Purchasing Goods/Services in Error for Personal Use:**

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If a personal transaction is made in error with the P-Card, the cardholder must report it immediately and restitution must be made to the State immediately. In addition the following will occur:

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|------------------------------|--|
| 1 <sup>st</sup> Occurrence   | Written warning to cardholder and a copy placed in personnel file (If reported to the reviewing official and/or Purchasing Card Administrator within 24 hours of the purchase and restitution made to the state) (If possible, the purchase must be returned to merchant) ***<br>Or<br>P-Card privileges suspended for 90 days and written notice to cardholder and a copy placed in personnel file (If reported to the reviewing officials and/or Purchasing Card Administrator within 48 hours of the purchase and restitution made to the state.) (If possible, the purchase must be returned to the merchant) ***<br>Or<br>P-Card cancelled/revoked and information placed in personnel file (if reported by someone other than the cardholder or discovered in a review or audit process. Restitution must be made to the state) (If possible, the purchase must be returned to the merchant) *** |
| 2 <sup>nd</sup> . Occurrence | P-Card privileges revoked and information placed in personnel file. Restitution must be made to the state (If possible, the purchase must be returned to the merchant). ***  |

\*\*\* Should it be determined that the cardholder intentionally made purchases for personal use or personal gain, the P-Card will be immediately canceled/revoked and appropriate action taken against the cardholder. NOTE: All state property (purchasing card or funds) must be handled as required by law. The mishandling of these actions will not be tolerated. Each case of purchases for personal use or personal gain will be reviewed case by case and action taken.

### **POLICY MODIFICATION:**

This compliance policies and procedures is established to support the Arkansas Purchasing Card Program and may be updated from time to time, as deemed necessary by the DFA Office of State Procurement. Continuous oversight is essential to protect the cardholder and the State. Purchasing card participants must review the Office of State Procurement web site for any policy changes. Questions regarding this policy should be directed to the Purchasing Card Coordinator/Administrator.